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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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NRN Photo

Waitress Candice Taylor totes barbecued ribs at Billy Blues Barbecue Bar & Grill in Dallas.

Operators jazz up sales with blues-barbecue blend

by Ron Ruggless

DALLAS — In this shimmy-'n'-shake economy, some operators sing the blues. Others capitalize on them.

Blues music has become the theme and theme song for a growing number of casual supper clubs. From Minneapolis to Houston and Atlanta to Dallas, it's a blues-plate special as customers get their licks in while listening to the earthy sounds of such blues greats as Leadbelly, T-Bone Walker or Billie Holiday.

In Atlanta's Buckhead neighborhood, Red Hot & Blue, the blues-and-barbecue chain based in Arlington, Va., launched its 10th unit in April. In Minneapolis the new $15 mil-

(See BLUES, page 59)

Gambling law splits operators in New Orleans

Governor paves way for casinos, angering some local restaurateurs

by Jack Hayes

NEW ORLEANS — Like Hollandaise in an overheated sauce pan, New Orleans restaurateurs are hotly divided on the issue of land-based casino gambling — a 6-year-old idea that became law here last week when Louisiana Gov. Edwin W. Edwards signed the controversial casino bill.

The governor's swift approval of the bill virtually guarantees that within 12 to 18 months at least one casino will be operating at the New Orleans Rivergate complex, a downtown site that was originally built as a convention facility 20 years ago.

"We say the casino idea is totally wrong for our city," said Ella Brennan of Commander's Palace. "Thinking about what casinos did for Atlantic City scares us to death."

On the one side — aligned with members of the Brennan family who operate Mr. B's Bistro, Commander's Palace, Bacco and Palace Cafe — are those opposed to casinos on the belief that Las Vegas-style gambling eventually will destroy New Orleans' unique tourism and business environment.

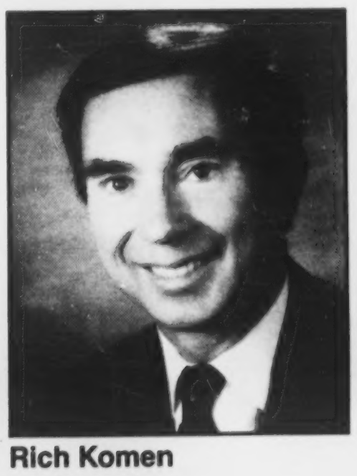
"The people who come to New Orleans to pull a one-armed bandit aren't the kind who make plans to go out and dine," added Chris Ansel, a third-generation restaurateur who operates the popular table-

(See NEW OREANS, page 4)

Ralph Erben

Ruth Fertel

Michael Ilitch



Rich Komen

Richard Melman

James W. Near

Top leaders selected as Golden Chain winners

by Rick Van Warner

NEW YORK — Six top industry leaders have been selected by the editors of Nation's Restaurant News to receive Golden Chain Operator awards in recognition of outstanding leadership and achievement.

Luby's Cafeterias president and chief executive Ralph "Pete" Erben, Ruth's Chris Steak House founder Ruth Fertel, Little Caesar chairman and founder Michael Ilitch, Restaurants Unlimited chairman and founder Rich Komen, Lettuce Entertain You founder and president Richard Melman and Wendy's chairman and chief executive James W. Near will be honored at an elegant awards banquet during NRN's 33rd annual Multi-Unit Food Service Operators (MUFSO) conference.

In addition, one of the six winners will be selected MUFSO Operator of the Year through a vote by NRN readers only via ballots contained in the July 6 and July 20 issues of NRN.

Each of the six award winners has exhibited superb leadership in guiding their respective companies to success over the past year. Each also has chalked up many victories over his or her career.

• Ralph Erben has been a steady force at the helm of Luby's over the past several

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NEWS BRIEFS

Restaurant sales rise 2.02% in May; menu prices increase 2.1%

WASHINGTON — Sales growth at the nation's eating and drinking places continued to slow in May, rising 2.02 percent on an unadjusted annual basis — the third consecutive month restaurant volumes have softened, the Census Bureau reported.

In April and March restaurant sales rose 2.76 percent and 3.81 percent, respectively.

Meanwhile, the Labor Department's consumer price index reported that menu prices rose 2.10 percent in May, which was also softer than April's 2.31-percent annual increase or March's 2.62 percent.

Hardee's unveils Frisco burger

LAKE OF THE OZARKS, Mo. — Hardee's has introduced the Frisco burger, the first of several new products the company intends to roll out every 90 days in a bid to diversify its menu.

The Frisco burger is an all-beef patty with cheese and a light but tart sauce served on a sourdough bun for $2.49.

Other products that may be introduced by the third-largest burger chain include a breakfast milk shake with yogurt and an egg burrito called the Olé Tortilla Scrambler.

Circle K agrees to be purchased by CK Acquisitions

PHOENIX — Circle K Corp., which has been operating under Chapter 11 bankruptcy protection, has agreed to be purchased for $375 million by CK Acquisitions, a group of three international investors.

Among the partners in CK Acquisitions is Investcorp S.A., which also owns Carvel Corp., Saks Fifth Avenue, Gucci and Tiffany's.

The 3,400-unit convenience store operator expected to close about 40 percent of the company's stores when it filed Chapter 11 two years ago. But the CK Acquisitions deal is expected to cut that figure to about 35 percent, which will reduce the chain's system to about 2,800 rather than 2,200 stores.

Chicago gaming commission backs casino gambling

CHICAGO — Mayor Richard Daley's Chicago Gaming Commission unanimously has endorsed land-based casino gambling in the city, but Illinois Gov. Jim Edgar continues to oppose it.

The $2 billion gambling complex was proposed by Circus Circus Enterprises, Caesars World and Hilton Hotels. Before that plan or others can move forward, the Illinois Legislature must change the current law that prohibits land-based gambling in the state.

And while the Illinois Restaurant Association's board of directors has yet to take a stand on the issue, indications are that the board favors casino gambling in Chicago — but with some reservations.

Architect group launches attack on McD ads

OAK BROOK, Ill. — A massive outdoor ad campaign by McDonald's has come under fire from protesters who charge that the effort is environmentally damaging.

The burger chain is undertaking a product-focus campaign scheduled to appear on about 20,000 billboards and bus placards.

A representative from the American Society of Landscape Architects said that in addition to being an eyesore along public roads, billboards often spur tree-cutting if they block the view of the intended sign.

A McDonald's representative said the company isn't constructing any additional billboards and added that the signs consist of recycled paper and an environmentally safe vegetable dye for print.

Creditor sues former G.D. Ritzy's officers

COLUMBUS, Ohio — KMA Acquisitions Corp. is suing four former officers of the defunct G.D. Ritzy's for failure to pay back a $100,000 bank note KMA purchased to acquire G.D. Ritzy's $1.3 million bank loan.

KMA, the Columbus franchisee of Rally's Drive Thrus, headed by Jeffrey Roschman and John McGill, has charged the four men with breach of fiduciary duty and wrongful acts. The four named are William Coleman, Richard Einhorn, Thomas Johnson and James Brockman.

Einhorn, who left Ritzy's in 1988, now operates four franchised Daddy-O's Drive Thrus in Ohio. "We have done absolutely nothing wrong," Einhorn said. "For me to be named in a lawsuit is absolutely ridiculous."

Democrats won't cross picket line at Rainbow Room

NEW YORK — Democratic National Convention sponsors said they would scrap a planned July 12 reception at the Rainbow Room here if restaurant staffers are still striking by mid-July.

Dozens of Rainbow Room employees — members of Local 6 of the Hotel Trades Council — went on strike earlier this month to protest stalled union negotiations.

The DNC, together with NY '92, the city's public and private partnership formed to organize many of the social events during the convention, said they would not cross picket lines.

Laura Hart, a spokeswoman for NY '92, said, "It is a clear labor issue, and both the Democratic National Convention and NY '92 are supportive of union efforts."

Joe Baum, the Rainbow Room's chief operating partner, is co-chairman of a food and restaurant subcommittee of NY '92.

Health groups urge new smoking restrictions

WASHINGTON — The American Heart Association, American Lung Association and American Cancer Society have launched a campaign to reduce "environmental smoke," the smoke inhaled by non-smokers sharing a space with smokers.

Heart Association officials in particular contend that segregating smokers and non-smokers — as is often done in restaurants — is not enough to ensure the safety of non-smokers.

Restaurant association officials and operators have said it would be cost prohibitive to retrofit most establishments with such sophisticated, segregated smoking and non-smoking rooms. William Fisher, National Restaurant Association executive vice president, said the NRA's position is that government "should not mandate or legislate something that is unenforceable or places operators in an untenable position."

Cajun Joe's tests Cajoe's

MILFORD, Conn. — Cajun Joe's, the 115-unit fried-chicken chain owned by Subway Sandwich parent Doctors Associates Inc., is testing a new roasted format called Cajoe's.

According to vice president and co-founder Richard Cromwell, the name Cajun Joe's was confusing to customers, who mistook the chain for a Cajun concept. The new format, which is being tested in 10 stores in five markets, emphasizes whole roasted chicken over the traditional fried and offers new side dishes, including baked potatoes, new potatoes, a variety of rices, gravy and stuffing.

Washington delays labeling program

WASHINGTON — The Bush administration announced recently that it would delay its nutrition-labeling program by either nine months or one year, giving restaurateurs and the food industry time to revamp menus and labels.

While the legislation is aimed primarily at food-product labeling, restaurateurs who use menu descriptors promoting healthful food qualities — such as "low-fat" — would also be required to disclose item contents.

The Food and Drug Administration originally was to have issued final nutrition-labeling regulations by November 1992, with a compliance date slated for May 1993.

FINANCIAL NEWS

Starbucks looks to IPO to perk up expansion

by Alan Liddle

SEATTLE — Starbucks Corp., a 126-unit espresso bar and retail coffee chain and supplier that enjoys high visibility in the Northwest and Chicago, is hoping to raise approximately $20 million for expansion and other purposes through an initial public offering of 1.5 million shares of common stock.

The company is just one of several food-and-beverage concerns to move to the public market during the first six months of this year. It's the first of the better-known and larger specialty-coffee chains — including Gloria Jean's Coffee Bean of Illinois, Florida's Barnie's Coffee & Tea Co. and the Coffee Beanery Ltd. of Michigan — to seek capital in such a manner and said whatever money it raises could be used for acquisitions and the enhancement of its computer systems.

Besides the 1.5 million shares being put on the block by the Seattle-based company, 600,000 shares held by 20 individual or institutional shareholders will also be sold when the offering is completed, possibly later this month. A prospectus filed in connection with the offering by underwriters Alex. Brown & Sons Inc. and Wertheim Schroder & Co. Inc. states, "It is currently estimated that the initial public offering price will be between $14 and $16 per share."

If everything goes as planned, approximately 12.6 million common shares will be left outstanding following the offering.

The prospectus points out that after the stock sale, control of the company, "as a practical matter," will remain with its officers — including chairman Howard Schultz, the largest shareholder with 1.1 million shares, or 8.5 percent of the stock — its directors and the five individuals or firms that hold 5 percent or more of the shares. Those persons and entities, in aggregate, will retain control over about 44 percent of the stock, thereby enabling them to elect the entire board of directors.

Seattle-based Starbucks, which was founded in 1971, had opened seven retail stores and operated a coffee roaster when it was acquired in 1987 by Schultz, then the director of retail operations and marketing, and a group of investors. Schultz and his investors renamed their Il Giornale Coffee Co. the Starbucks Corp. in January 1988.

As of March 29, the company operated stores in Seattle, where there were 56 outlets; Chicago, 28; Vancouver, British Columbia, 17; Portland, Ore., 14; Los Angeles, 7; San Diego, 3; and San Francisco, 1.

For fiscal 1991, ended Sept. 29, the company reported net sales of $57.7 million, up 63 percent from the prior year, and net earnings of $2.4 million, or triple the previous year's level. For the 26-week period ended March 29, sales were up 58 percent, to $42.8 million, while earnings rose 46 percent, to $2.1 million.

Comparable-store sales rose 15.3 percent for the 52 weeks ended September 1991, down from the 22.6-percent rate of growth enjoyed in fiscal 1990. For the 26 weeks ended in March, comparable sales were up by 16.8 percent, compared with 19.9 percent for the same period a year ago.

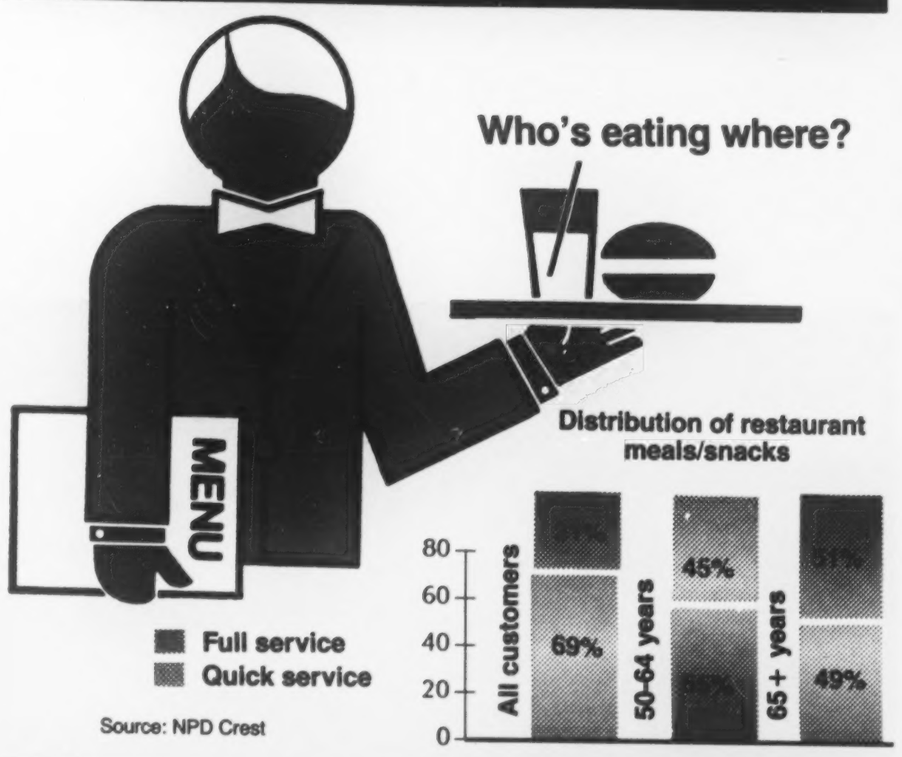
Since being acquired by the Schultz group in 1987, Starbucks has seen its net sales grow in successive years by 704 percent, 89 percent, 84 percent and 63 percent. The company lost $330,000 in fiscal 1987, $764,000 in fiscal 1988 and $1.2 million in fiscal 1989 but has seen its net earnings grow heartily for the past two and a half years, though on a pro-forma basis, they remained a relatively modest 24 cents per share for fiscal 1991 and 19 cents a share for the first half of fiscal 1992.

As a privately held company in an increasingly competitive segment, Starbucks' management has been extremely tight-lipped about business matters in the past. The prospectus issued in conjunction with the offering gives the clearest picture to date of a company that is much admired and copied.

Starbucks Corp. purchases and roasts whole-bean coffees from around the world and sells 30 blends and varietals through its retail stores with espresso bars, its wholesale division and a direct-mail division. Retail store sales contributed 87 percent of the company's total net sales for the 26 weeks ended in March; the wholesale division

(See STARBUCKS, page 57)

FACT FILE



FINANCIAL DIGEST

Quantum's, Krystal's stock begin trading

NEW YORK — Quantum Restaurant Group, the diversified casual theme and steak-house operator, and Krystal Co., the Atlanta-based mini-burger chain, completed their initial public offerings as publicly owned companies.

But both companies' share prices traded below the premarket goals of their individual prospectuses.

Quantum's 2.15 million shares were priced at $10, about $3 lower than expected, while Krystal's stock price, on 2.1 million shares, came in at $12 a share on the first day of trading, about $2 lower than the company expected.

Quantum Restaurant Group owns and operates 37 restaurants, of which its Morton's of Chicago is the best-known concept.

Krystal, often considered the second-oldest burger chain, operates 219 units noted for their mini burgers. The company began franchising in 1990 and is looking to expand through its double-drive-through concept, Krystal Kwik.

Partner to merge with Outback

WASHINGTON — Stone/Danker Inc., a joint-venture partner of Outback Steakhouses in the nation's capital, has agreed in principle to merge with Outback through a stock swap.

Outback will issue 450,000 shares of its common stock in exchange for all outstanding stock of Stone/Danker.

"Our D.C. venture has been performing exceptionally well, with average restaurant sales running in line with our Florida restaurants," said Chris Sullivan, Outback's chief executive officer. "Our venture partner has done an outstanding job developing his organization, and we are excited that they will all continue working with us as we go forward in the market."

Stone/Danker operates five of the 61 units in the chain.

Cucos' 3rd-Q net rises 18 percent

NEW ORLEANS — Buoyed by the sales contributions of 14 new restaurants, Cucos reported a 21-percent year-to-year gain in revenues, to $4.1 million, in the third quarter ended April 5.

But earnings, though up 18 percent, to $3,622, were restrained by a $25,000 charge for the closing of a New Orleans unit during its conversion to Cucos Border Cafe.

The top-line increase came from 14 new company-owned restaurants vs. 11 in the year-ago quarter. In addition, same-store sales rose 4.9 percent.

Cucos said franchising fees and royalties declined during the quarter, reflecting lower franchise sales because of the recession.

The company said it intends to mount an aggressive advertising campaign in four major markets most affected by the economic downturn.

For the 40-week period ended April 5, Cucos said earnings rose 8 percent, to $136,675, on an 18-percent rise in revenues, to $13.2 million compared with the same year-ago period.

Earnings comparisons boost Max & Erma's

COLUMBUS, Ohio — Earnings comparisons against a year-ago pretax charge of $165,000 — related to the settlement of a lawsuit — gave Max & Erma's a lift in the second quarter ended May 10.

The company said net income, in comparison with the year-ago period, increased ninefold, to $251,000, on an 8-percent increase in revenues, to $9 million.

The casual-theme dinner-house operator said same-store sales rose 3 percent in the quarter because of an improving economy as well as the increased appeal of the company's new menu and a new television advertising campaign.

For the six months of the year, net income jumped three times, to $553,000, on a 6-percent increase in revenues, to $20.9 million.

FOOD PRICE OUTLOOK

Midwest drought may hike food prices

by Patt Patterson

In early June the Midwestern **corn** belt was far behind on rainfall, leading some observers to compare this year with the drought of 1988. Major parts of Illinois, Iowa and Kansas were suffering from lack of rain, combined with untypical cool weather. Some farmers have had to replant corn, because the first plantings did not get enough moisture or warmth to germinate. This means that some areas will be coming into harvest in the hottest part of July and August.

The drought is hitting hardest the area that grows a large part of the country's **wheat, soybeans** and corn. If crops are short this year, prices will rise for **meat** and **poultry**, which are dependent upon grains for feed. Add to this the strong export demand from other countries for U.S. grains plus the short stocks in government storage, and you have the recipe for center-of-the-plate inflation.

Now for the good news: Most of the country's **vegetable**-and-**fruit**-growing areas seem to be in good condition, with production anticipated as normal or better for most produce and canning crops. Fresh and processed fruits and vegetables are expected — with a few exceptions — to remain fairly stable in price.

With New Jersey **lettuce** fields being harvested, the price for lettuce continues to remain low although West Coast shipments are at seasonal high freight rates, running up landed costs on the East Coast . . . Leaf lettuce f.o.b. prices also are low, with some California shippers curtailing harvesting because of poor market conditions.

Hawaiian **pineapple** canners will be offering promotional allowances of about $1 off on 6/10 packs from the beginning of July through the middle of August. Foodservice 46-ounce pineapple juice packs will also be promoted at about $1 off per case. The outlook on imported pineapple is not so good, with the Philippines hit with poor rainfall, and Thailand not much better off. Asian canners are worried about quality for this year's pineapple pack.

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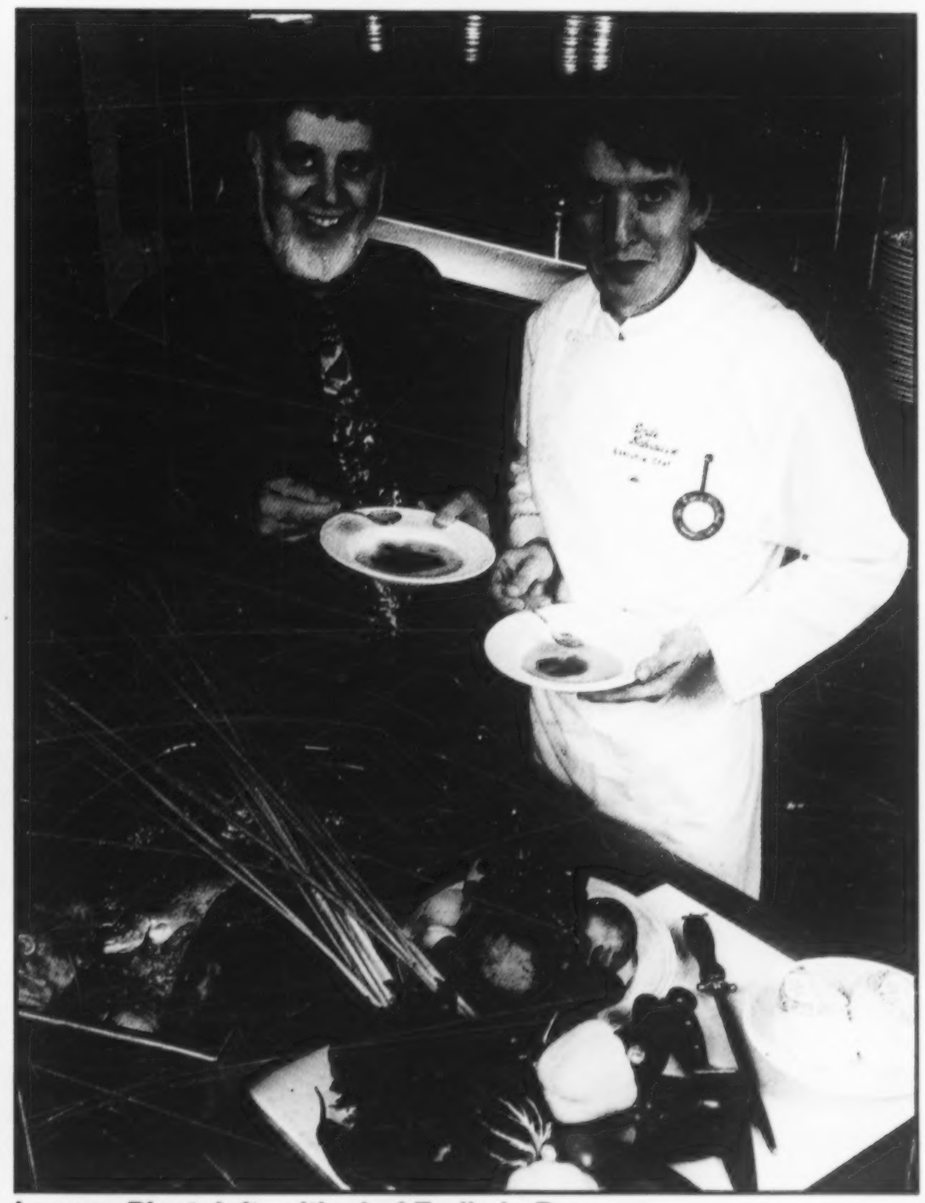

Leonce Picot, left, with chef Emile LaBrousse.

Picot lightens up fine-dining places in South Florida

by Jack Hayes

FORT LAUDERDALE, Fla. — After closing two fine-dining restaurants in California, restaurateur Leonce Picot is refocusing on business here in South Florida by cutting menu prices and shelving formal ambience at his 24-year-old flagship The Down Under and Casa Vecchia.

Resorting to tactics he had long frowned upon, Picot has begun to experiment with lighter and less expensive dishes prepared with fewer ingredients and simpler techniques at his two Fort Lauderdale restaurants.

"We're not cooking with truffles here now," said Picot, who also operates the award-winning La Vieille Maison in Boca Raton, an elegant 160-seat concept that so far has escaped the mounting pressure for casualization.

While Picot would not di-

(See PICOT, page 52)

INSIDE

World leaders should learn from foodservice
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Family operators unveil new arsenal
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Bordeaux labels provide good value
Hochstein/Page 20

Amex study: Diners prefer quality
Story appears on page 44

'Smart bars' juice up beverage sales

by Peter O. Keegan

A handful of operators are wising up to the mainstream possibilities of "smart bars," a faddish "bar-within-a-bar" concept that touts a new generation of non-alcoholic, vitamin-charged cocktails called smart drinks.

Places sporting such trendy names as Brain/Wash, Mecca, Galaxy Diner, Lizard Lounge, the Smart Bar and Star Groove are targeting a young, hip crowd with signature drinks souped up with vitamins, minerals, Chinese herbs, amino acids and sometimes caffeine. Combined with water or fruit juice, smart drinks are said to increase awareness, memory and — most important — energy.

Brain/ Wash combines smart drinks, food and laundry facilities.

And while the chief draw at these fledgling operations tends to be powder-based drinks like Energy Plasma, IQ Booster, Blast, Energy Elicksure, Psuper Psonic Psyber Tonic and Oxysmart, many operators merchandise limited menus as

(See SMART, page 53)

Don Clawson

Radisson's Clawson checks out

by Carolyn Walkup

Minn. — Don Clawson, vice president of food and beverage for nearly eight years at Radisson Hotels International, based here, has left as part of a corporate restructuring.

"My position has been eliminated," Clawson said.

He said he is considering forming a hospitality consulting company or teaching at a culinary school. For the time being, however, he is consulting

(See CLAWSON, page 53)

Industry veteran Brinker named Pioneer of Year

by Rick Van Warner

DALLAS — Norman Brinker, the veteran restaurant operator and creator of such concepts as Steak and Ale and Bennigan's, has been chosen MUFSO Pioneer of the Year by Nation's Restaurant News.

The Brinker International chairman will be honored during an elegant awards banquet sponsored by American Express during NRN's Multi-Unit Food Service Operators (MUFSO) conference here Sept. 22.

Over a career spanning 35 years, Brinker has earned a reputation as an entrepreneurial executive with an uncanny knack for making concepts succeed.

After launching Steak and Ale in 1965, he guided the company through steady growth in sales and profits over the next 18 years. Along the way he created the Bennigan's concept, which grew to become a leading casual dinner-house chain.

In 1976 Pillsbury acquired Steak and Ale, which later became S & A Restaurant Corp.

Norman Brinker

Within a few years Brinker was named president of Pillsbury's restaurant division, which also included Burger King and Poppin' Fresh Restaurants.

But following the entrepreneurial urge that still tugged at him, he left that post to buy into fledgling Chili's in 1983. As

(See BRINKER, page 51)